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China - Peoples Republic of

Oilseeds and Products Update

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Report Highlights:
MY11/12 soybean imports are forecast at 58 million metric tons (MMT), unchanged from the March forecast, but 3.5 MMT higher than MY 10/11 estimated imports of 54.5 MMT. MY11/12 soybean production is forecast at 14.4 MMT, down from last year's estimated 15.2 MMT. MY11/12 rapeseed production is forecast at 12.8 MMT unchanged from the previous year. Growth in consumer income and changing dietary trends will drive soybean imports to 58 MMT in MY11/12 to meet increasing demand for vegetable oils and animal products.

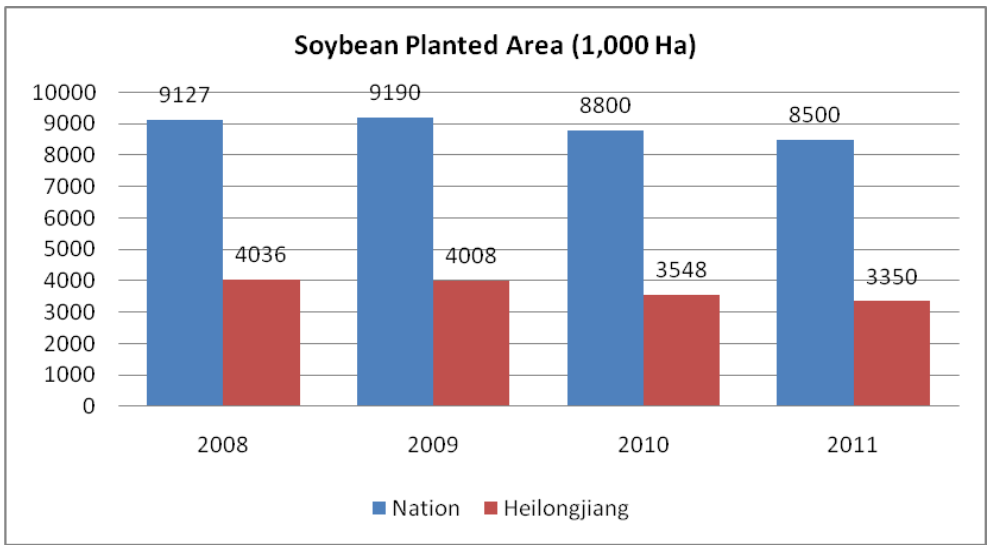
Executive Summary:

MY11/12 soybean production is forecast down at 14.4 MMT, a fall from the estimated 15.2 MMT in the previous year. The change is due primarily to a forecasted smaller planting area, mainly in Northeast China, due to higher grain versus soybean profits last year. MY11/12 soybean imports are forecast at 58 million metric tons (MMT), unchanged from the previous report, but 3.5 MMT higher than estimated imports of 54.5 MMT in MY10/11. MY11/12 rapeseed production is forecast at 12.8 MMT, unchanged from the previous year, with a smaller planting area decline offset by higher yields resulting from favorable weather conditions in major production regions.

Total oilseed demand is expected to continue its growth trend in MY11/12 due to increased use of oilseed by-products in animal production and higher vegetable oil consumption, fueled changing dietary demands associated with continuing strong domestic growth (above nine percent) in 2011 and elevated disposable income. MY11/12 consumption of protein meal is forecast to rise to 65.6 MMT, up six percent from the estimated 61.8 MMT in the previous year, and vegetable oil consumption at 27.8 MMT, up 5.7 percent from the 27.2 MMT in MY10/11.

MY11/12 Soybean production forecast falls to 14.4 MMT

Industry sources estimated that, despite an overall price increase for soybeans (up 6 percent) and corn (up 13 percent), the average profit for soybeans and corn were $500/Ha, and $700/Ha, respectively, based on the average yield, farm-gate purchasing prices and production costs in MY10/11. This difference has negatively impacted some soybean planting decisions for MY 11.12.



MY11/12 soybean production is forecast at 14.4 MMT, lower than the previous year's estimated 15.2 MMT due to reduced planted area of 8.5 MHa (from 8.8 MHa in the previous year) and an average yield at 1.7 MT/Ha. Heilongjiang Province, with forecast planted of 3.35 MHa, down 200,000 Ha from last year, reports the largest drop in planting area due to lower soybean profits relative to corn and rice in MY 10/11.

In late May, China's National Grain and Oils Information Center (CNGOIC) forecast a MY11/12 soybean production drop to 14 MMT based on reduced planted area of 8.2 MHa. In mid-May, China's industry sources forecast MY11/12 soybean planting area in Heilongjiang would fall by 10 to 20 percent, particularly in the central province where weather and growing conditions provide farmers more choices for grain crops. Inner Mongolia, Jilin and Liaoning Province soybean planting areas are also expected to fall to the benefit, primarily, of corn crops. In the Yellow river region, (including Shandong, Henan and Hebei provinces), farmers are expected to increase cotton area by 4 percent at the expense of soybean area in MY 11/12.

In the southern provinces, including Anhui and Jiangsu, however, MY11/12 soybean planting area is expected to remain stable. Relatively higher profits from local food demand usage helps maintain a stable planting area. The above chart shows China's soybean planted area changes from 2008 to 2011. (Source: 2008-2009-China Agriculture Statistics Report; 2010-CNGOIC report and Heilongjiang Statistics Bureau; 2011- Post forecast).

MY11/12 soybean imports are forecast at 58 MMT

Soybean imports for MY11/12 are forecast at 58 MMT (unchanged from the 2011 Oilseed Annual), up 6.4 percent from the 54.5 MMT in MY10/11 due to continuing growth in protein meal demands by China's animal and aquaculture sectors, vegetable oil consumption fueled by high GDP growth, falling domestic production and excessive soybean crush capacity. The MY10/11 soybean imports were adjusted down by 500,000 MT from 55 MMT in the 2011 Oilseed Annual. Relatively high

soybean imports in the first half of MY10/11, coupled with China's release of 3 MMT of soybean reserve/stocks in April, however, curbed import growth in the second half of MY10/11. Soybean imports in MY11/12 are forecast to grow at an average rate driven by increase of consumption of protein meal forecast at 65.6 MMT, up six percent from the estimated 61.8 MMT in the previous year, and vegetable oil consumption at 27.8 MMT, up 5.7 percent from the 27.2 MMT in MY10/11 fueled by changing dietary requirements associated with elevated disposable incomes of Chinese consumers.

Soybean oil imports is likely to recover

MY11/12 soybean oil imports are expected to reach 1.7 MMT from the estimated 1.4 MMT in MY10/11. Both are lower than the previous estimate/forecast in GAIN CH11008 (1.9 MMT for MY10/11 and 2 MMT for MY11/12), reflecting relatively higher soybean stocks and a slower than anticipated recovery of imports from Argentine following the lifting of China's import restrictions. Although China "lifted" the ban on imports of Argentine soy oil in November 2010, the import volume from Argentine for the first half of MY10/11 remained low at 120,000 MT compared to 627,000 MT in the previous year. In early May, China's Ministry of Commerce (MOFCOM) announced that China would import 500,000 MT of Argentine soybean oil. Total soybean oil imports for the first half of MY10/11 stood at 767,000 MT, with imports from the United States having surged to 323,000 MT, in response to the gap lift by the ban on argentine imports.

Domestic soybean production switched to "Non-GMO-high protein"?

To stimulate domestic soybean production, China's industry stakeholders are looking for new markets. A senior agriculture policy advisor suggested that China's soybean industry may need to prioritize "Non-GMO high protein soybean" as a strategy to revitalize domestic soybean production. According to this advisor, the government should focus on the following: establish a stable, reliable and safe soybean supply chain worldwide to meet the growing domestic demand (for soybean for crushing); define domestic soybean production strategy as "Non-GMO, high protein and food use" based on the comparative advantages, specifically with policy aimed at supporting developing varieties characterized with "Non-GMO high protein" and "Non-GMO high protein and oil content"; increase the coverage of Non-GMO high protein varieties with policy support; provide guidance to food processing industry to produce value-added soybean products and exploit overseas markets; continue to support farmers by "buying soybeans for reserve" to provide price support and "improve the seed and other subsidy system". Given increasing consumption of domestically produced Non-GMO soybeans for food use and a declining share of domestic soybeans for crushing, this suggestion would likely facilitate soybean imports (for crushing).

Additionally, China began to subsidize agriculture investment overseas in 2011. An industry source reported that one of China's largest state owned oilseed crushers finalized a deal with Brazil to invest $23 million in joint project to build a port facility in Brazil mainly aimed at enhancing the capacity in sourcing soybeans from Brazil. A joint agriculture research lab between China Academy of Agriculture Science (CAAS) and Brazil Academy of Agriculture Science was inaugurated in CAAS focus on research on genome resources, biotechnology, renewable energy etc.

MY11/12 rapeseed production forecast up at 12.8 MMT

MY11/12 rapeseed production is forecast at 12.9 MMT, unchanged from the estimated 12.8 MMT in MY10/11. The higher yield follows good weather conditions during rapeseed maturation and harvesting seasons in major-producing regions in MY11/12 which offset a drop in planted area to 7.2 MHa. In late May, CNGOIC adjusted MY11/12 overall rapeseed planted area to 7.2 MHa, down from 7.35 MHa in MY10/11, considering comparatively low returns for farmers in Anhui, Jiangsu,

Henan and Guizhou Provinces, stable planted area in Hubei and an increase in Hunan Province. Post field survey in April, however, indicated that MY11/12 planted area in both Hubei and Hunan provinces **is** lower than the previous year. Low profits and high input costs (including labor) continue to hamper rapeseed area growth.

MY11/12 rapeseed yield is higher than the previous year because of the favorable weather in April and May in major-producing regions, including the southwest region (Yunan and Guizhou Provinces) where the yield recovered following a drought in the previous year. The growth of MY11/12 crop is rated as "normal" overall with the exception of parts of Hubei and Anhui provinces that were affected by dry conditions during planting and by "cold rainy" weather in the early growing season.

Rapeseed imports remain low and rapeseed oil imports increase

China's growing demand for rapeseed meal (a traditional cost effective protein source for the expanding aquaculture sector) and a growing crush industry are the major forces driving rapeseed imports. MY11/12 rapeseed imports are forecast at 1.6 MMT (down from the 1.9 MMT in GAIN 11008), but up from estimated imports of 1 MMT for MY10/11. Rapeseed imports fell significantly following China's placement of a phytosanitory restriction on Canadian rapeseed in November 2009. Currently, Canadian-origin rapeseed can only be imported to China's non-rapeseed producing regions, thus significantly restricting the import volume. Chinese crush industry leaders, whose profits are suffering from a 30% utilization rate, have called for the lifting of the ban. The large domestic rapeseed crushing capacity was estimated at 43 MMT in 2010, and another 3.6 MMT crushing capacity will be added in 2011.

MY11/12 rapeseed oil imports are forecast to grow to 900,000 MT from the estimated 850,000 MT in MY10/11, both higher than the 600,000 MT and 700,000 MT (in GAIN CH11030), respectively. The forecast higher imports are expected to replenish low imports of rapeseed and meet the growing demand for rapeseed oil.

MOA plans to increase rapeseed production

According to CNGOIC, MOA has set a target in the "12th Five Year Plan" to increase rapeseed production to 20.1MMT by 2015 on planted area of 9.73MHa (146MMu) and an average yield of 2,070 Kg/Ha (138Kg/Mu). Major measures include: boost planting area by exploiting the winter idle land, intensify agriculture technology extension services to increase yield/quality and productivity, and improve infrastructures and rapeseed-related agribusiness and cooperatives.

Rapeseed oil reserve release and price

Some Chinese industry leaders complained that the government's release of approximately 1.2 MMT of rapeseed oil reserves since late 2010 has driven down the price of rapeseed oil. Traditionally, rapeseed oil prices are RMB200-400/MT higher than soybean oil prices, but currently the position is reversed. However, some leaders expressed confidence that lower cost rapeseed oil will spur rapeseed oil consumption, particularly in the traditional rapeseed-consumption regions. As for the farm gate price for the new crop, industry insiders estimate it should range from RMB4,600 to 4,800/MT.

MY11/12 Cottonseed production up to 12 MMT

Due to record high cotton prices last year, cottonseed production in MY 11/12 is expected to rise, forecast at 12 MMT up from 10.2 MMT in the previous year.

MY 11/12 Peanut production forecast at 14.7 MMT

MY11/12 peanut production is forecast at 14.7 MMT based on planted area of 4.5 MHa (unchanged from the previous year) and average yield. China's National Statistics Bureau estimates that MY10/11 domestic peanut production will hit 15.6 MMT, up 900,000MT from the previous year, due to increased area and yield (mainly because of favorable weather conditions). In late-May, CNGOIC forecast MY11/12 peanut production up to 15.9 MMT (from the 15.6 MMT in MY10/11) based on a forecast high planted area of 4.7 MHa, compared to 4.55 MHa in MY10/11.

Oilseeds PSD Tables

Table 1. Soybeans

Oilseed, Soybean China	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	9,200	9,190	9,000	8,800	9,000	8,500
Area Harvested	9,190	9,190	8,800	8,800	8,700	8,500
Beginning Stocks	7,555	7,555	13,259	11,039	15,709	12,689
Production	14,980	14,980	15,200	15,200	14,800	14,450
MY Imports	50,338	50,338	54,500	54,500	58,000	58,000
MY Imp. from U.S.	22,450	22,568	27,000	26,000	25,000	25,000
MY Imp. from EU	0	0	0	0	0	0
Total Supply	72,873	72,873	82,959	80,739	88,509	85,139
MY Exports	184	184	200	200	300	400
MY Exp. to EU	20	20	20	22	30	30
Crush	48,830	51,000	56,100	57,000	61,500	61,500
Food Use Dom. Cons.	8,850	8,900	9,100	9,000	9,200	9,200
Feed Waste Dom. Cons.	1,750	1,750	1,850	1,850	1,800	1,800
Total Dom. Cons.	59,430	61,650	67,050	67,850	72,500	72,500
Ending Stocks	13,259	11,039	15,709	12,689	15,709	12,239
Total Distribution	72,873	72,873	82,959	80,739	88,509	85,139

CY Imports	54,785	50,000	56,000	55,000	58,000	57,500
CY Imp. from U.S.	23,589	23,000	27,000	26,500	25,000	25,000
CY Exports	163	200	450	250	500	300
CY Exp. to U.S.	20	20	30	30	50	50
TS=TD		0		0		0

Table 2. Rapeseed

Oilseed, Rapeseed China	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0		0		0	
Area Harvested	7,278	7,278	7,200	7,300	7,000	7,200
Beginning Stocks	1,394	1,394	2,114	1,646	1,364	146
Production	13,657	13,657	12,600	12,800	12,800	12,800
MY Imports	2,177	2,177	1,400	1,000	1,400	1,600
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	17,228	17,228	16,114	15,446	15,564	14,546
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	14,564	15,000	14,200	14,700	13,700	13,946
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	550	582	550	600	500	600
Total Dom. Cons.	15,114	15,582	14,750	15,300	14,200	14,546
Ending Stocks	2,114	1,646	1,364	146	1,364	0
Total Distribution	17,228	17,228	16,114	15,446	15,564	14,646
CY Imports	1,600	1,600	1,750	1,200	2,200	1,600
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0
TS=TD		0		0		0

Table 3. Peanuts

Oilseed, Peanut China	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: May 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	4,400	4,400	4,450	4,450	4,450	4,500
Area Harvested	4,377	4,377	4,450	4,450	4,500	4,500
Beginning Stocks	0	0	0	0	0	0
Production	14,708	14,708	15,100	15,100	15,200	14,700
MY Imports	14	14	5	5	5	6
MY Imp. from U.S.	0	0	0	5	0	0
MY Imp. from EU	0	0	0	5	0	0
Total Supply	14,722	14,722	15,105	15,105	15,205	14,706
MY Exports	627	627	700	700	700	750
MY Exp. to EU	190	190	180	180	180	240
Crush	7,029	7,029	7,180	7,515	7,330	7,260
Food Use Dom. Cons.	6,092	6,092	6,275	6,200	6,225	6,015
Feed Waste Dom. Cons.	974	974	950	690	950	681
Total Dom. Cons.	14,095	14,095	14,405	14,405	14,505	13,956
Ending Stocks	0	0	0	0	0	0
Total Distribution	14,722	14,722	15,105	15,105	15,205	14,706
CY Imports	21	21	10	10	10	10
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	638	638	700	700	700	720
CY Exp. to U.S.	11	11	0	0	0	0
TS=TD		0		0		0

Table 4. Cottonseed

Oilseed, Cottonseed China	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (Cotton)	5,200	5,500	5,200	5,200	5,200	5,450

Area Harvested (Cotton)	5,300	5,500	5,150	5,200	5,500	5,450
Seed to Lint Ratio	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	12,540	12,540	11,953	10,240	12,933	12,000
MY Imports	1	1	40	40	50	40
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	12,541	12,541	11,993	10,280	12,983	12,040
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	10,080	9,740	9,600	7,380	9,803	9,000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2,461	2,801	2,393	2,900	3,180	3,040
Total Dom. Cons.	12,541	12,541	11,993	10,280	12,983	12,040
Ending Stocks	0	0	0	0	0	0
Total Distribution	12,541	12,541	11,993	10,280	12,983	12,040
CY Imports	16	0	25	30	50	40
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0
TS=TD		0		0		0

Oils PSD Tables

Table 5. Soybean Oil

Oil, Soybean China	**2009/2010**		**2010/2011**		**2011/2012**	
	Market Year Begin: Oct 2009		**Market Year Begin: Oct 2010**		**Market Year Begin: Oct 2011**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Crush	48,830	51,000	56,100	57,000	61,500	61,500
Extr. Rate, 999.9999	0.	0.1787	0.	0.1788	0.	0.1787
Beginning Stocks	477	477	205	777	178	977
Production	8,726	9,113	10,036	10,190	11,009	10,990
MY Imports	1,514	1,514	1,750	1,400	1,850	1,700
MY Imp. from U.S.	99	99	350	350	100	350
MY Imp. from EU	0	0	0	0	0	0
Total Supply	10,717	11,104	11,991	12,367	13,037	13,667
MY Exports	77	77	40	70	40	90
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0

Food Use Dom. Cons.	10,435	10,250	11,773	11,320	12,815	12,500
Feed Waste Dom. Cons.	0		0		0	0
Total Dom. Cons.	10,435	10,250	11,773	11,320	12,815	12,500
Ending Stocks	205	777	178	977	182	1,077
Total Distribution	10,717	11,104	11,991	12,367	13,037	13,667
CY Imports	1,341	1,341	1,750	1,400	2,000	170
CY Imp. from U.S.	282	282	320	350	100	200
CY Exports	59	59	70	60	70	65
CY Exp. to U.S.	0	0	0	0	0	0
TS=TD		0		0		0

Table 6. Rapeseed Oil

Oil, Rapeseed China	**2009/2010**		**2010/2011**		**2011/2012**	
	Market Year Begin: Oct 2009		**Market Year Begin: Oct 2010**		**Market Year Begin: Oct 2011**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Crush	14,564	15,000	14,200	14,700	13,700	14,046
Extr. Rate, 999.9999	0.	0.356	0.	0.356	0.	0.356
Beginning Stocks	291	291	600	1,178	406	1,553
Production	5,170	5,340	5,041	5,233	4,864	4,960
MY Imports	785	785	850	850	900	900
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	6,246	6,416	6,491	7,261	6,170	7,413
MY Exports	5	7	5	8	5	7
MY Exp. to EU	0	0	2	3	2	2
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	5,641	5,231	6,080	5,700	5,825	5,760
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	5,641	5,231	6,080	5,700	5,825	5,760
Ending Stocks	600	1,178	406	1,553	340	1,646
Total Distribution	6,246	6,416	6,491	7,261	6,170	7,413
CY Imports	985	800	800	850	850	890
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	4	4	4	4	4	4
CY Exp. to U.S.	0	0	0	0	0	0
TS=TD		0		0		0